

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 53 w/CS Health Insurance
SPONSOR(S): Sorensen & others
TIED BILLS: None **IDEN./SIM. BILLS:** SB 454

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Health Access & Financing (Sub)	7 Y, 0 N	Tinney	Cooper
2) Insurance	18 Y, 0 N w/CS	Tinney	Cooper
3) Commerce & Local Affairs Approp. (Sub)			
4) Appropriations			
5)			

SUMMARY ANALYSIS

Chapter 381, F.S., contains general provisions relating to public health. The Office of Rural Health is created by s. 381.0405, F.S., within the Department of Health (DOH), to encourage the availability of health care services in rural areas of the state. Rural health networks are authorized and defined in s. 381.0406, F.S. A rural health network is authorized with the goal of organizing and delivering primary health care services on a cooperative basis in rural areas.

The Rural Health Network of Monroe County (RHNMC) was organized as authorized by law in 1993; staff of RHNMC indicates that the network offers primary care services at six sites throughout the Florida Keys, ranging over a 120-mile radius. In May 2002, RHNMC created a special health insurance task force to address the growing number of citizens who cannot afford health insurance in Monroe County. The task force contracted to conduct an actuarial analysis, including a feasibility study, for review by the RHNMC governing board. Based upon the feasibility study, the RHNMC health insurance task force invited insurers, third-party administrators, and local health care providers to a pre-bidder's conference to gauge interest in administering a self-insurance plan on behalf of RHNMC. Several interested parties attended the pre-bidder's conference. State officials from DOH and the Office of Insurance Regulation (OIR) also have participated with the health insurance task force.

Chapter 112, F.S., governs public officers and employees, including such things as conditions for employment, retirement, and the authorization for travel reimbursement. Section 112.08, F.S., authorizes units of local government to offer their respective employees health insurance benefits. The law authorizes local governmental units to purchase insurance from the private insurance market or to self-insure for health, accident, and hospital coverage. If a local government decides to insure itself, the self-insurance plan must be approved for actuarial soundness by OIR and must be administered by an insurance company or a professional plan administrator approved by OIR.

The bill amends s. 112.08(2), F.S., to authorize the Rural Health Network of Monroe County to initiate a pilot project to establish a self-insurance plan to be approved by OIR. The self-insurance plan will help residents secure health insurance coverage if the residents currently are uninsured or unable to afford adequate health insurance coverage. A report on the pilot project is due to OIR, the Speaker of the House of Representatives, the President of the Senate, and the Governor by January 1, 2006. The report will include a description of the pilot project along with recommendations for its continuation.

There is minimal fiscal impact associated with the pilot project.

The bill takes effect upon becoming law.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives.

STORAGE NAME: h0053a.in.doc
DATE: April 16, 2004

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. DOES THE BILL:

- | | | | |
|--------------------------------------|------------------------------|--|---|
| 1. Reduce government? | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> | N/A <input type="checkbox"/> |
| 2. Lower taxes? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. Expand individual freedom? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. Increase personal responsibility? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. Empower families? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a “no” above, please explain:

Reduce government: The bill authorizes the Rural County Health Network in Monroe County to create a nonprofit corporation to administer a pilot project creating a self-insurance plan. The self-insurance plan may offer health insurance to local residents who cannot obtain or afford health insurance currently.

B. EFFECT OF PROPOSED CHANGES:

HEALTH INSURANCE BACKGROUND

General Information

In the private health insurance market, there are two basic types of insurance coverage: managed care and more traditional health indemnity plans. Managed care organizations include entities such as health maintenance organizations (HMOs) and preferred provider organizations (PPOs). HMOs and PPOs are regulated both by the Agency for Health Care Administration (AHCA) and the Office of Insurance Regulation (OIR) of the Financial Services Commission.

In order to offer services within Florida, a managed care organization must first receive a health care provider certificate from AHCA under the provisions of part III of chapter 641, F.S. Upon receipt of a health care provider certificate from AHCA, a managed care organization may apply for a certificate of authority from OIR to sell insurance products in the state as specified in part I of chapter 641, F.S. OIR is assigned by law to examine the fiscal resources of a managed care organization, including cash reserves, liabilities, and other similar information.

The law assigns AHCA to examine a managed care organization’s service offerings, provider network, patient contracts, and other information related to the delivery of patient care and services. AHCA examines a managed care organization’s network of service providers to ensure there are sufficient providers and specialists available to serve the subscribers of a managed care organization. The law specifically assigns AHCA to examine a managed care organization’s service plan for sufficiency of providers within the geographic region to be served by the provider.

AHCA reports that the provider networks of most managed care organizations typically serve a specific geographic region of the state because it is more efficient, and typically easier, to aggregate services, health care institutions, and providers within defined geographic boundaries. The geographic area served by a typical managed care organization frequently crosses city limit boundaries and county lines based upon the location of service providers and the number and location of members who subscribe to the organization.

Health Care in Rural Areas

Chapter 381, F.S., contains general provisions relating to public health. The Office of Rural Health is created by s. 381.0405, F.S., within the Department of Health (DOH), to encourage the availability of health care services in rural areas of the state. A rural area is defined by law as one with a population density of fewer than 100 persons per square mile or an area designated as rural by the most recent U.S. census.

Rural health networks are authorized and defined in s. 381.0406, F.S. A rural health network is a nonprofit legal entity consisting of rural and urban health care providers and others. The network is authorized to organize and deliver primary health care services on a cooperative basis in rural areas. Each rural health network is required to include members who offer public health services, primary care health services, emergency medical care, and acute inpatient care.

Each rural health network is governed by a board of directors whose members represent local governments, health care providers, representatives of the business community, consumers, and other persons or entities who wish to participate. DOH reports that the Office of Rural Health was created originally in 1993 and that the Office currently oversees the activities of nine rural health networks that serve 42 of the state's 67 counties.

Rural Health Network of Monroe County (RHNMC)

RHNMC was organized as authorized by law in 1993; it was the second of nine rural health networks to organize for the purpose of increasing access to health care. Staff of RHNMC indicates that the network offers primary care services at six sites throughout the Florida Keys, ranging over a 120-mile radius. In 2003, RHNMC opened a dental clinic for the uninsured and low-income residents of the county. The Monroe County network also has received several awards from state and national entities relating to best practices and recognition for the innovative primary care initiatives offered by RHNMC.

In May 2002, RHNMC created a special health insurance task force to address the growing number of citizens who cannot afford health insurance in Monroe County. The task force contracted with Milliman USA to conduct an actuarial analysis, including a feasibility study, for review by the RHNMC governing board. The study by Milliman USA determined that an estimated 17,000 citizens of Monroe County over the age of 19 do not currently have health insurance. This number represents an estimated 25 percent of the adult population of the county.

Since Milliman USA presented its findings and recommendations to the RHNMC health insurance task force in January 2004, the task force invited insurers, third-party administrators, and local health care providers to a pre-bidder's conference to gauge interest in administering a self-insurance plan on behalf of RHNMC. Several interested parties attended the pre-bidder's conference. State officials from DOH and OIR also have participated with the health insurance task force.

Health Maintenance Organizations

HMOs, considered the prototype managed care organization, are entities that first must receive a health care provider certificate from AHCA and a certificate of authority for offering insurance products by OIR. Section 641.315, F.S., establishes requirements for HMO contracts with health care providers. This section mandates a number of provisions for HMO contracts with health care providers, including requirements that each contract be in writing, contain notice and cancellation provisions, and contain procedures for granting authorization for utilization of health care services, among other provisions.

Health Indemnity Contracts

A health indemnity contract or policy is governed by OIR within the Financial Services Commission and parts VI and VII of chapter 627, F.S. A traditional indemnity policy is typically more expensive than an HMO or PPO contract because the indemnity policy is not restricted to a specific network of service providers or to service providers within a designated geographic area. Rather, an indemnity policy offers services, or at least partial reimbursement for services, from most health care service providers. The general reimbursement or payment structure of an indemnity policy specifies that 20 percent of the insurer's allowable fee per service is paid by the policyholder while the insurer pays or reimburses up to 80 percent of the allowable fees. Indemnity policies generally require the policyholder to pay a predefined deductible amount annually, along with the co-payment for each service the policyholder receives. Indemnity policies may exclude payment for specified services and medications altogether, as may HMO and PPO plans.

OIR reports that all of its licensees who offer health indemnity policies must offer such policies and their attendant benefits throughout the state. An insurer who offers an indemnity policy may not offer such a policy only in the parts of Florida where the company may wish to conduct business. OIR reports that PPO services and health indemnity policies are available in Monroe County, but that no HMO services are currently offered to Monroe County citizens.

Availability of Health Services in Florida

Both AHCA and the Department of Health collect data from health service providers relating to the availability of such services and providers throughout Florida. Both agencies indicate there are regions throughout Florida, especially in areas that are still largely rural, where both general and specialty health care services remain largely unavailable to many citizens. In rural areas, the demographics of the population, particularly with respect to household income, may inhibit the availability of medical services and providers. Rural areas typically contain smaller population centers than do urban areas. Smaller populations also discourage the proliferation of medical services and providers.

There are other areas of the state, for example the Florida Keys, which also suffer from a shortage of health care providers. Although most of the population in the Keys is generally more affluent than in most rural areas, the Keys are geographically isolated and small in terms of overall population. In some communities, where only one or two small hospitals exist, there is little impetus for the available service providers to discount their service costs in order to participate in a managed care network. AHCA reports that a concentration of service providers within a geographic location encourages the available providers to compete with respect to fees for services, thus enhancing the opportunity for service providers to participate in a network associated with a managed care organization.

Chapter 112, Florida Statutes

Chapter 112, F.S., governs public officers and employees, including such things as conditions for employment, retirement, and the authorization for travel reimbursement. Section 112.08, F.S., authorizes units of local government to offer their respective employees health insurance benefits. A unit of local government is defined to include a county, municipality, community college district, school board, county officer recognized by the Florida Constitution, or special district. The law also authorizes local governmental units to pay all or a portion of the premium associated with life, health, accident, disability, or any other type of insurance offered to the employees of the unit of local government.

The law authorizes local governmental units to purchase insurance for their employees from the private insurance market or to self-insure for health, accident, and hospital coverage. If a local government decides to insure itself and its employees and their dependents, the self-insurance plan must be approved for actuarial soundness by OIR and must be administered by an insurance company or a

professional plan administrator approved by OIR. Each self-insurance plan must report annually to OIR on the continued actuarial soundness of the self-insurance plan.

EFFECTS OF THE BILL

The bill amends s. 112.08(2), F.S., relating to group insurance for public officers, employees, and others, to provide legislative determinations relating to the inadequacy of health insurance coverage in rural areas and other isolated areas of the state. As a result of the shortage, it is necessary to explore alternatives for making health insurance available to citizens in rural areas.

The bill authorizes the Rural Health Network of Monroe County, created under s. 381.0406, F.S., through a nonprofit entity, to establish a self-insurance plan approved by OIR. The self-insurance plan will help residents secure health insurance coverage if the residents currently are uninsured or unable to afford adequate health insurance coverage. Premiums charged for participation in the plan must be actuarially sound. OIR is directed to consult with DOH regarding the self-insurance plan and its consistency with current law governing rural health initiatives.

The self-insurance plan is authorized as a pilot project. A report on the pilot project is due to OIR, the Speaker of the House of Representatives, the President of the Senate, and the Governor by January 1, 2006. The report will include a description of the pilot project along with recommendations for its continuation.

C. SECTION DIRECTORY:

Section 1. Provides legislative determinations relating to the inadequacy of health insurance coverage in rural areas of the state. Authorizes a pilot project for the creation of a self-insurance plan, with the approval of OIR, to offer health insurance in Monroe County. Requires a report on the pilot project.

Section 2. Provides that the bill takes effect upon becoming law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

Minimal. Both OIR and DOH currently are involved in efforts to increase health insurance coverage in rural areas. The Monroe County Rural Health Network, the entity that will implement the pilot project authorized by the bill, has existed since 1993, and has investigated offering a self-insurance plan for the past several years.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

If the pilot project authorized by the bill is successful in making health insurance more widely available in Monroe County, the impact could be to use the pilot project as a model for increasing health services in other areas of Florida that do not have sufficient health care providers or insurance currently available.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

None.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

No rulemaking authority is granted by the bill.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

The bill deletes all of the original provisions of the bill. Alternatively, a pilot program is authorized in Monroe County under the Rural County Health Networks created in s. 381.0406, F.S. The Rural Health Network of Monroe County, an existing governmental entity, may establish a self-insurance plan through a nonprofit corporation. The self-insurance plan will be subject to approval by the Office of Insurance Regulation, in consultation with the Department of Health. The self-insurance plan must be actuarially sound and may charge premiums to its participants. The nonprofit corporation that oversees the self-insurance plan will provide a report of its activities, along with recommendations for the future of the program by January 1, 2006.